

**HON. MARCY KAPTUR**  
**Â OF OHIO**  
**IN THE HOUSE OF REPRESENTATIVES**  
**WEDNESDAY, JUNE 14, 2006**

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Ms. KAPTUR. Mr. Speaker, I would like to include in the **RECORD** extraneous materials this evening, particularly an article from the Christian Science Monitor entitled ``Prices Rise, and Interest Rates Sure to Follow."

This evening we have heard from many of our colleagues about the ensuing debate tomorrow on a very weak resolution concerning the ongoing war in Iraq. Tonight I would like to direct my comments to the terrible taxes that this war places on the American people. And not just taxes in the conventional meaning of the word because, indeed, this war is causing us to borrow money, which we must pay back, and we are borrowing it back from foreign countries. This war is costing us more every day. Over \$300 billion and rising. We have to pay those dollars back because we are borrowing them.

This war is placing a terrible burden on this economy as we now see prices rise and interest rates ticking up, which I will talk about in just a second. And, of course, the greatest tax is on the loss of life and the injury to body and limb of those that we have asked to fight the battles of this Nation, as well as innocent civilians who are being killed and injured across Iraq and the region.

This war in Iraq is also exacting a terrible tax on the people of the Middle East and adjoining regions because it is yielding more terrorism, not less. This war is yielding more repressive regimes in places like Pakistan; in places like Egypt; in the Palestinian Authority; indeed, adjoining nations like Lebanon. The tax on democratizing regimes is getting heavier and heavier every day. There is more instability in the region as we watch the demonstrations in the West Bank and in Gaza, as we see Hamas and Fatah locked in internal struggles. There is more instability, not more stability. And most crushing for our country globally is the United States is losing respect across the world. We have fewer friends and more enemies and those

who doubt the United States across the globe.

Here at home we see rising interest rates, and that is the article I will enter into the **RECORD** tonight. Higher prices for such things as airline tickets, housing, health care, and, of course, gasoline are now starting to eat into consumers' pocketbooks. Indeed, this war is a terrible tax on the American people, and they are feeling it in their pocketbooks.

Wednesday, the Labor Department reported the May consumer price index rose .4 percent after a .6 percent rise in April. This is well above the comfort level of the Federal Reserve, the Nation's chief inflation fighter. The Fed is going to have to raise interest rates more out of a desire to keep the market from thinking the new sheriff in town at the Federal Reserve is not serious about fighting inflation. Prices are rising against a backdrop of weakening housing and other parts of the economy. This war in Iraq is a heavy tax.

Economists are most concerned that rising prices seem to have moved beyond the energy sector and removing food and energy, typically the most volatile prices from the inflation rate, indicates core prices rose in May .3 percent; and over the past 3 months, the core rate of inflation is up to an annual rate of 3.8 percent, the fastest pace in more than a decade. We are seeing a near-term acceleration in the core rate. An increase of half a percentage point at the next Fed meeting is a strong possibility before the Fed decides to back away.

So we look at what this war is yielding on many levels. More terrorism, not less terrorism. Is it yielding more democratic regimes throughout the Middle East? No. The oil regimes continue to be as repressive as they ever were. There is not a single democratic nation anywhere in the region, and there will not be one for a long time to come. The United States ought to decouple itself from the repressive oil regimes it continues to support and become energy independent here at home.

Is there a solution to the Palestinian-Israeli standoff? Are there ongoing negotiations? No. There is just shooting across borders. There are more demonstrations in the street. There is no back channel that is being actively promulgated by this administration to get the warring parties to sit down and finally reach a peace process following on the agreement that was attempted to be negotiated during the Clinton years.

Have we seen freedom on the rise? No. We see repression on the rise, as beheadings and the election of people who are absolutely opposed to the United States without any sense of growing freedom.

There was a gentleman down here on the floor earlier who said that they do want our freedom here in the United States, that is why they hate us so much. Actually, a number of those revolutionaries want freedom from what they see us representing in that region, and that is support of dictatorships, support of oil regimes, and we are yielding the counterreaction to many years of supporting brutal dictatorships in that part of the world.

[From the Christian Science Monitor, June 15, 2006]

Prices Rise, and Interest Rates Sure to Follow

(By Ron Scherer)

It could be a summer of rising interest rates.

That's the sobering prospect for the U.S. economy following news that the inflation rate is running at a quickening pace. Higher prices for such things as airline tickets, housing, healthcare--and of course, gasoline--are now starting to eat into consumer pocketbooks.

Wednesday, the Labor Department reported the May Consumer Price Index (CPI) rose 0.4 percent, after a 0.6 percent rise in April. This is well above the comfort level of the Federal Reserve, the nation's chief inflation-fighter.

The latest numbers just about guarantee the Fed will hike interest rates at the end of the month. Its new chairman, Ben Bernanke, an avowed inflation-fighter, may follow that with yet another increase in August.

The inflation pop, however, comes at a time when the economy may be starting to cool. This could keep the Fed from hitting the brakes too hard.

“The Fed is going to have to raise rates more out of a desire to keep the market from thinking the new sheriff in town is not serious about fighting inflation,” says Anthony Chan, chief economist at JP Morgan Private Client Services in Columbus, Ohio. “Prices are rising against a backdrop of weakening housing and other parts of the economy.”

Economists are most concerned that rising prices seem to have moved beyond the energy sector. Removing food and energy--typically the most volatile prices--from the inflation rate indicates that “core” prices in May rose 0.3 percent. Over the past three months, the core rate of inflation is up to an annual rate of 3.8 percent, the fastest pace in more than a decade.

“We’re seeing a near-term acceleration in the core rate,” says Gregory Miller, chief economist at Suntrust Banks in Atlanta. “An increase of half a percentage point at the next Fed meeting is a strong possibility before the Fed decides to back away.”

However, Mr. Chan reports that such a large rate hike is not likely. In the past, Mr. Bernanke has said previously, the Fed has tended to “overshoot” by raising rates too high or dropping them too low. The central bank would then have to change directions, confusing the markets.

“I don’t think Bernanke is going to put in a strong case for a half a percentage point increase,” Chan says. Though the inflation rate is accelerating, the economy has changed considerably since the last major period of inflation in the 1970s, Chan says. Back then, whenever the consumer price index rose, wages automatically ticked up via “cost of living adjustments.” Most of those arrangements are now gone, he says, particularly at manufacturing facilities, like General Motors Corp., where total remuneration is being cut, not raised. “A slowing economy will eventually lead to diminished pricing pressures,” Chan says.

Until that happens, consumers are starting to feel the effects of rising prices on their pocketbooks. For example, airfares rose 2.6 percent in May, according to the CPI report. Brian Hoyt, a spokesman for Orbitz.com, says airline ticket prices this summer are up 10 percent

over last year's.

Amy Kelley of Calverton, N.Y., can attest to this. She's been searching for less expensive tickets for a vacation to Seattle. "I can't find the bargains I used to," she says.

While the higher airline prices are related to the rising cost of jet fuel, the CPI also points to rising medical expenses, which were up 0.3 percent in May. In Philadelphia, Warren West, president of Greentree Brokerage Services, says the cost of providing medical benefits to his employees rose 16 percent this year. "There is no way to pass this on to the end user. We don't have that kind of pricing power," he says.

In fact, inflation in services is a growing issue, says economist Robert Brusca of Fact and Opinion Economics in New York. "The last two months there has been service-sector wage pressure," Mr. Brusca says, pointing out that two-thirds of the jobs in the economy are service-related. "Inflation pressure on goods is not that bad, but in services they seem to be building."

Part of the reason for the service-sector price increases is supply and demand, says Sandy Horwitz, an accountant in Coral Gables, Fla. His firm, Goldstein Schechter Price Lucas Horwitz & Co., has raised its billing rates 5 to 7 percent this year, he estimates. "There is a shortage of accountants and pretty strong demand out there, so we need to meet people's salary requirements," he says.

Miami lawyer Matthew Krieger says demand for his legal specialty, immigration law, is so strong he has been able to increase his billing rates from 10 to 20 percent this year. "There is a shortage of good attorneys in our area," he says. "It's a very complex area of the law."

In terms of prices, "rents" is one of the fastest ascending groups. The government calculates rents by determining what individuals would pay for housing if they were renting to themselves. Last month, rents rose 0.6 percent, the fastest pace in years. Since housing represents 25 percent of the CPI, it is a significant contributor to the overall inflation jump.

In Miami, landlord David Lombardy says tenants are not seeing rents climb--up about 30 percent in the past year, he estimates. A one-bedroom apartment at the Mirador on South Beach is now renting for \$1,400 a month, up from \$1,000 a month last year, he says.

Still, Mr. Lombardy expects rents to drop eventually due to the rising number of luxury condominiums coming on the market. ``All those people who bought on speculation will try to flip them, and when they can't do that they will try to rent them. So this will bring rents down in 12 to 18 months," he says.